**FEATHER MARKET PROMOTIONS**
**Trading as FEATHER MARKET CENTRE**
**(ASSOCIATION INCORPORATED UNDER SECTION 21)**
**MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2009**

## 1. BASIS OF PRESENTATION

### 1.1 Statement of Compliance

The annual financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (SA GAAP) except for IAS16 "Property, plant and equipment", including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Practices Board replacing the equivalent SA GAAP Statement as follows:

| Standard of GRAP | Replaced Statement of SA GAAP |
|---|---|
| GRAP 1: Presentation of financial statements | AC 101: Presentation of financial statements |
| GRAP 2: Cash flow statements | AC 118: Cash flow statements |
| GRAP 3: Accounting policies, changes in accounting estimates and errors | AC 103: Accounting policies, changes in accounting estimates and errors |

The Minister has determined that the effective date for the above standards of GRAP shall be - December 2005 for GRAP1, 2 and 3.

Directives issued and effective

| Reference | Topic |
|---|---|
| Directive 1 | Repeal of existing transitional provisions in, and consequential amendments to, Standards of GRAP. |
| Directive 2 | Transitional provisions for the adoption of standards of GRAP by public entities and constitutional institutions. |
| Directive 3 | Transitional provisions for the adoption of standards of GRAP by high capacity municipalities. |
| Directive 4 | Transitional provisions for the adoption of standards of GRAP by medium and low capacity municipalities. |
| Directive 5 | Determining the GRAP reporting framework. |

Currently the recognition and measurement principles in the above GRAP and SA GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

#### 1.1.1 Terminology differences:

| Standard of GRAP | Replaced statement of SA GAAP |
|---|---|
| Statement of financial performance | Income Statement |
| Statement of financial position | Balance Sheet |
| Statement of changes in net assets | Statement of changes in equity |
| Net assets | Equity |
| Surplus / deficit | Profit / loss |
| Accumulated surplus / deficit | Retained earnings |
| Contributions from owners | Share capital |
| Distributions to owners | Dividends |

1.1.2 The cash flow statement is prepared in accordance with the direct method.

(Cont/...)

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## 1. BASIS OF PRESENTATION (Continued)

### 1.2 Future Changes to Policies

These are Standards and Interpretations in issue but not yet effective and in addition, minor amendments have been made to the Standards with a view to removing inconsistencies and clarification of wording, The company has considered all of this Standards and Interpretations and found the following to be applicable to Feather Market Promotions:

| Standard of GRAP | Effective date |
|---|---|
| GRAP 9 Revenue from Exchange Transactions | 1 July 2009 |
| GRAP 11 Construction Contracts | 1 July 2009 |
| GRAP 12 Inventories | 1 July 2009 |
| GRAP 13 Leases | 1 July 2009 |
| GRAP 14 Events After the Reporting Date | 1 July 2009 |
| GRAP 17 Property, Plant and Equipment | 1 July 2009 |
| GRAP 19 Provisions, Contingent Liabilities Assets | 1 July 2009 |
| GRAP 21 Impairment of non cash generating units | |
| GRAP 23 Revenue from non exchange transactions | |
| GRAP 24 Presentation of budget information in financial statements | |
| GRAP 26 Impairment of cash generating units | |

Effective accrual based IPSASs considering the provisions in paragraph .15 to .19 of Directive 5

| No. | Topic |
|---|---|
| IPSAS 20 | Related party disclosures |
| IPSAS 21 | Impairment of non cash generating assets |

Applicable Statements of SA GAAP

| No. | Effective date |
|---|---|
| IAS 32 Amendments to IAS 32 Financial Instruments: Presentation | 1 January 2009 |
| IFRIC 15 Agreements for the construction of real estate | 1 January 2009 |

It is expected that the following new or revised standards and interpretations will have no effect on Feather Market Promotions' financial statements.

Statement of GRAP

| No. | Effective date |
|---|---|
| GRAP 4 The Effects of Changes in Exchange Rates | 1 July 2009 |
| GRAP 5 Borrowing Costs | 1 July 2009 |
| GRAP 6 Consolidated and Separate Financial Statements | 1 July 2009 |
| GRAP 7 Investments in Associates | 1 July 2009 |
| GRAP 8 Investments in Joint Ventures | 1 July 2009 |
| GRAP 10 Financial Reporting in Hyperinflationary Economies | 1 July 2009 |
| GRAP 16 Investment Property | 1 July 2009 |
| GRAP 18 Segment reporting | |
| GRAP 100 Non – current Assets Held for Sales and Discontinued Operations | 1 July 2009 |
| GRAP 101 Agriculture | 1 July 2009 |
| GRAP 103 Heritage | |

(Cont/...)

**FEATHER MARKET PROMOTIONS**
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## 1. BASIS OF PRESENTATION (Continued)

### 1.2 Future Changes to Policies (Continued)

Applicable Statements of SA GAAP

| No. | Effective date |
|---|---|
| IFRS 1 Amendments to IFRS 1 First time Adoption of International Financial Reporting Standards | 1 January 2009 |
| IFRS 2 Amendments to IFRS 2 - Share - based payment - vesting conditions and cancellations | 1 January 2009 |
| IFRS 3 Business Combinations | 1 July 2009 |
| IAS 39 Financial Instruments : Recognition and Measurement - Eligible Hedged Items | 1 July 2009 |
| IFRIC 16 Hedges of net investment in a foreign operation | 1 January 2009 |
| IFRIC 17 Distribution of non-cash assets to owners | 1 July 2009 |
| IFRIC 18 Transfer of assets from customers | 1 July 2009 |
| Improvements to IFRS | 1 January 2009 |

### 1.3 Basis of measurement

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention or fair value if stated as such.

### 1.4 Use of Estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 3 – provisions

The Annual bonus provisions are based on employment contract stipulations as well as previous annual bonus payment trends.

### 1.5 Departures from the standards

**IAS 16 "PROPERTY, PLANT AND EQUIPMENT"**

Due to cost and cash flow reasons, the company does not determine residual values for each item of property, plant and equipment, does not determine estimated useful lives with reference to the period over which the assets are expected to be available for use and does not depreciate each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost, separately as required by IAS 16 "Property, plant and equipment" .

## 2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

## 3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

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## 4. PROPERTY, PLANT AND EQUIPMENT

**4.1** Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Subsequent expenditure relating to property, plant and equipment is capitalised when it meets the definition criteria of an asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Inferior equipment is written off in full in the year it is acquired. Surpluses or deficits on the disposal of assets are credited or charged to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

Items of property, plant and equipment are depreciated using the straight line basis over the anticipated useful lives of the assets. The principal useful lives used for this purpose are:

- Furniture and fittings (6 years)
- Office equipment (3 years)
- Motor vehicles (5 years)
- Computer software (2 years)
- Computer equipment (3 years)
- Audio visual equipment (3 years)
- Leasehold improvements (25 years)

### 4.2 Impairments of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the company estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

## 5. INVENTORY

Inventory which comprises merchandise purchased for resale is valued at the lower of cost and net realisable value on a specific identification basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

Inventory cost includes the costs of purchase of inventories comprising the purchase price, levies, pressing and storage. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition.

(Cont/...)

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## 6. FINANCIAL INSTRUMENTS

### 6.1 Investments and other financial assets

Financial assets within the scope of IAS 39 (AC133) are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

### 6.2 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the company has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

### 6.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

### 6.4 Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss.

### 6.5 Amortised cost

Amortised cost is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

### 6.6 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash in the statement of financial position comprises cash at bank and on hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### 6.7 Impairment of financial assets

The company assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(Cont/...)

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## 6. FINANCIAL INSTRUMENTS (Continued)

### 6.7 Impairment of financial assets (Continued)

**Assets carried at amortised cost**

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

### 6.8 Financial liabilities

**Loans and borrowings**

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of financial performance when the liabilities are derecognised as well as through the amortisation process.

**Trade and other payables**

Liabilities for trade and other amounts payable, which are normally settled on 7-30 day terms, are initially measured at fair value of the consideration to be paid in the future for goods and services received.

After initial recognition, trade and other payables are subsequently measured at amortised cost using the effective interest method.

### 6.9 Derecognition of financial assets and liabilities

**Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;

- the company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement;

- and either (a) The company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(Cont/...)

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## 6. FINANCIAL INSTRUMENTS (Continued)

### 6.9 Derecognition of financial assets and liabilities (Continued)

**Financial assets (Continued)**

When the company has transferred its rights to receive cash flows from an asset or has entered into a 'pass through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the company's continuing involvement in the asset.

**Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

**Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

## 7. PROVISIONS

Provisions are recognised where the company has a present legal or constructive obligation as a result of a past event, a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## 8. REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and other taxes or duties. The following specific recognition criteria must be met before revenue is recognised:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer.

Revenue from the hiring out of facilities for functions is recognised once the function has taken place.

Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

## 9. GRANTS AND PUBLIC CONTRIBUTIONS

Revenue from grants and public contributions is recognised when all conditions associated with the contribution have been met. Where grants and public contributions have been received but the company has not met the conditions, a liability is recognised.

Revenue from grants and public contributions are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

## 10. RETIREMENT BENEFITS

The policy of the company is to provide retirement benefits for all its employees. The company have defined contributions plans. Current contributions to relevant retirement benefit plans operated for employees are charged against the income in the period to which they relate.

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## 11. TAXES

### 11.1 Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at year end date.

### 11.2 Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of value added tax included.

- The company accounts for value added tax on the cash basis.

- The net amount of value added tax recoverable from, or payable to, the taxation authority is shown separately on the face of the statement of financial position.

## 12. OPERATING LEASES

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease rentals are recognised on a straight-line basis over the lease term or any other basis which is representative of the time pattern of the lessees benefit.

## 13. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance when

## 14. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. There was no unauthorised expenditure in the current financial

## 15. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance.

## 16. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance.

## 17. COMPARATIVE INFORMATION

### 17.1 Current year comparatives:

Budgeted amounts have been included in Appendix D(1) - D(2).

### 17.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

# FEATHER MARKET PROMOTIONS
## Trading as FEATHER MARKET CENTRE
## (ASSOCIATION INCORPORATED UNDER SECTION 21)
## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009<br>R | 2008<br>R |
|---|---|---|
| **1. TRADE AND OTHER PAYABLES** | | |
| Trade payables | 352 372 | 313 497 |
| Payments received in advance | 265 467 | 117 671 |
| Staff leave | 65 094 | 67 197 |
| Audit fee Accrual | - | 65 000 |
| Nelson Mandela Bay Municipality | - | 114 505 |
| Other payables | 7 037 | 6 859 |
| Transfer to NMBM | ( 689 970) | - |
| Balance at the end of the year | **-** | **684 729** |

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 30 day terms.

The related party payable bears no interest and has no fixed term of repayment.

| | 2009<br>R | 2008<br>R |
|---|---|---|
| **2. SOUTH AFRICAN REVENUE SERVICES - VAT** | | |
| Vat input | ( 326 452) | ( 59 710) |
| Vat output | 353 773 | 120 248 |
| Transfer to NMBM | ( 27 321) | - |
| VAT payable | **-** | **60 538** |

VAT is payable on the cash basis. Only once payment is received from debtors is VAT paid over to South African Revenue Services.

| | 2009<br>R | 2008<br>R |
|---|---|---|
| **3. PROVISION FOR BONUSES** | | |
| Balance at beginning of the year | 45 704 | - |
| Contribution to provision | 44 476 | 45 704 |
| Annual Bonus Paid | ( 45 704) | - |
| Transfer to NMBM | ( 44 476) | - |
| Balance at the end of the year | **-** | **45 704** |

An annual bonus is due and payable to employees on their birth dates. The above provision is calculated on a time proportion basis.

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**FEATHER MARKET PROMOTIONS**
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

## 4. PROPERTY, PLANT AND EQUIPMENT

**2009**

| | Leasehold improvements | Furniture and fittings | Office equipment | Motor vehicles | Computer software | Computer equipment | Audio visual equipment | Total |
|---|---|---|---|---|---|---|---|---|
| | R | R | R | R | R | R | R | R |
| *Cost* | *18 749 757* | *365 478* | *278 288* | - | *10 928* | *87 659* | *3 151* | 19 495 261 |
| *Accumulated Depreciation* | *(11 854 498)* | *( 279 906)* | *( 269 965)* | - | *( 10 928)* | *( 74 931)* | *( 3 151)* | (12 493 379) |
| **Net Book Value** | **6 895 259** | **85 572** | **8 323** | - | - | **12 728** | - | **7 001 882** |
| Transfer to NMBM | **(6 895 259)** | **( 85 572)** | **( 8 323)** | - | - | **( 12 728)** | - | **(7 001 882)** |
| **Net Book Value** | - | - | - | - | - | - | - | - |
| | | | | | | | | |
| **Reconcilied as follows:** | | | | | | | | |
| Balance at beginning of year | 7 505 481 | 68 295 | 13 795 | 61 713 | - | 18 533 | - | 7 667 817 |
| Additions | 14 600 | 40 931 | 4 919 | - | - | - | - | 60 450 |
| Disposals | - | - | - | ( 26 743) | - | - | - | ( 26 743) |
| Depreciation | ( 624 822) | ( 23 654) | ( 10 391) | ( 34 970) | - | ( 5 805) | - | ( 699 642) |
| Transfer to NMBM | (6 895 259) | ( 85 572) | ( 8 323) | - | - | ( 12 728) | - | (7 001 882) |
| Balance at end of year | - | - | - | - | - | - | - | - |

*During the period, Feather Market Promotions acquired Property, plant and equipment with a cost of R60 450 in order to maintain the current operating capacity of the company.*

*The company does not have any restrictions on title and property, plant and equipment has not been pledged as security for liabilities.*

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FEATHER MARKET PROMOTIONS
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (Continued)

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

2008

| | Leasehold improvements | Furniture and fittings | Office equipment | Motor vehicles | Computer software | Computer equipment | Audio visual equipment | Total |
|---|---|---|---|---|---|---|---|---|
| | R | R | R | R | R | R | R | R |
| *Cost* | *18 735 157* | *324 547* | *273 369* | *246 850* | *10 928* | *87 659* | *3 151* | 19 681 661 |
| *Accumulated Depreciation* | *(11 229 676)* | *( 256 252)* | *( 259 574)* | *( 185 137)* | *( 10 928)* | *( 69 126)* | *( 3 151)* | (12 013 844) |
| Net book value | **7 505 481** | **68 295** | **13 795** | **61 713** | - | **18 533** | - | **7 667 817** |
| | | | | | | | | |
| **Reconcilied as follows:** | | | | | | | | |
| Balance at beginning of year | 8 235 046 | 75 521 | 30 369 | 111 082 | - | - | - | 8 452 018 |
| Additions | 19140 | 17 631 | 5 276 | - | | 20 897 | - | 62 944 |
| Depreciation | ( 748 705) | ( 24 857) | ( 21 850) | ( 49 369) | - | ( 2 364) | - | ( 847 145) |
| Balance at end of year | **7 505 481** | **68 295** | **13 795** | **61 713** | - | **18 533** | - | **7 667 817** |

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**FEATHER MARKET PROMOTIONS**
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

| | 2009<br>R | 2008<br>R |
|---|---|---|
| **5. INVENTORY** | | |
| Bar inventories | 87 863 | 87 880 |
| Catering inventories | 15 318 | 22 347 |
| Transfer to NMBM | ( 103 181) | - |
| | **-** | **110 227** |
| **6. TRADE AND OTHER RECEIVABLES** | | |
| Trade receivables | 397 120 | 329 925 |
| Less: Provision for impairment of receivables | ( 1 729) | ( 2 001) |
| | 395 391 | 327 924 |
| Transfer to NMBM | ( 395 391) | - |
| Nelson Mandela Bay Municipality | 7 573 269 | - |
| | **7 573 269** | **327 924** |

As at 30 June 2009, trade receivables at nominal value of R 1 729 (2008: R 2 001) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

| ***Reconciliation of provision for impairment of receivables*** | **Individually impaired** | **Total** |
|---|---|---|
| At 1 July 2007 | ( 2 515) | ( 2 515) |
| Charge for the year | ( 8 682) | ( 8 682) |
| Utilised | 9 196 | 9 196 |
| At 30 June 2008 | **( 2 001)** | **( 2 001)** |
| Charge for the year | 416 | 416 |
| Utilised | ( 144) | ( 144) |
| At 30 June 2009 | **( 1 729)** | **( 1 729)** |

As at 30 June 2009, the ageing analysis of trade receivables is as follows:

| | | |
|---|---|---|
| Neither past due nor impaired | 257 024 | 325 826 |
| Past due and not impaired | | |
| < 30 days | 24 923 | - |
| 30 – 60 days | 6 671 | 2 098 |
| 60 – 90 days | 186 | - |
| > 120 days | 106 587 | - |
| Total | 395 391 | 327 924 |

Trade receivables are non-interest bearing and are generally on 30 days' terms.

The related party receivable bears no interest, has no fixed terms of repayment and is current in nature.

(Cont/...)

**FEATHER MARKET PROMOTIONS**
**Trading as FEATHER MARKET CENTRE**
**(ASSOCIATION INCORPORATED UNDER SECTION 21)**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

| | 2009<br>R | 2008<br>R |
|---|---|---|
| **7. DEPOSITS** | | |
| Electricity deposits | 6 200 | 6 200 |
| Transfer to NMBM | ( 6 200) | - |
| | - | **6 200** |

The electricity deposits are refundable on termination of the services.

**8. CASH AND CASH EQUIVALENTS**

The entity has the following bank accounts:

**Current Account (Primary Bank Account)**

Standard Bank of South Africa Limited

Account Number 080140114

| | 2009<br>R | 2008<br>R |
|---|---|---|
| Cash book balance at beginning of year | 86 755 | ( 28 556) |
| Cash book balance | 264 907 | 86 755 |
| Transfer to NMBM | ( 264 907) | - |
| Cash book balance at end of year | - | 86 755 |
| Bank statement balance at beginning of year: | 85 759 | 83 649 |
| Bank statement balance at end of year | 264 907 | 85 759 |

**Money Market Account**

Standard Bank of South Africa Limited

Account Number 084993359

| | 2009<br>R | 2008<br>R |
|---|---|---|
| Cash book balance at beginning of year | 388 939 | 345 872 |
| Cash book balance at end of year | - | 388 939 |
| Bank statement balance at beginning of year: | 388 939 | 345 872 |
| Bank statement balance at end of year | - | 388 939 |

**Call Account**

Standard Bank of South Africa Limited

Account Number 088429725003

| | 2009<br>R | 2008<br>R |
|---|---|---|
| Cash book balance at beginning of year | 750 000 | 750 000 |
| Cash book balance at end of year | - | 750 000 |
| Bank statement balance at beginning of year: | 750 000 | 750 000 |
| Bank statement balance at end of year | - | 750 000 |

(Cont/...)

**FEATHER MARKET PROMOTIONS**
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

| | 2009 R | 2008 R |
|---|---|---|
| **8. CASH AND CASH EQUIVALENTS (Continued)** | | |
| <u>Petty cash and cash floats</u> | | |
| Cash book balances at beginning of year | 6 111 | 8 780 |
| Cash book balance | 17 863 | 6 111 |
| Transfer to NMBM | ( 17 863) | - |
| Cash book balance at end of year | - | 6 111 |
| **Total bank and cash on hand balances** | **-** | **1 231 805** |
| **9. SALES** | | |
| Bar | 697 059 | 672 250 |
| Catering | 3 571 195 | 2 897 236 |
| **Total sales** | **4 268 254** | **3 569 486** |
| **10. GOVERNMENT GRANTS** | | |
| Total government grants | 1 042 302 | 1 099 130 |
| | **1 042 302** | **1 099 130** |

Grants are received from the Nelson Mandela Bay Municipality to cover operating deficits of the entity. The conditions of the grant have been met. No funds have been withheld.

The company has not benefited from any other form of government assistance.

| | 2009 R | 2008 R |
|---|---|---|
| **11. OTHER INCOME** | | |
| Sundry income | 885 932 | 422 546 |
| **Total other income** | **885 932** | **422 546** |

Sundry income received includes audio vision, sundry parking and venue decoration income.

(Cont/...)

# FEATHER MARKET PROMOTIONS
## Trading as FEATHER MARKET CENTRE
## (ASSOCIATION INCORPORATED UNDER SECTION 21)
## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 | 2008 |
|---|---|---|
| | R | R |
| **12. COST OF SALES** | | |
| Opening inventory | 110 227 | 108 496 |
| Purchases | 2 710 200 | 2 290 680 |
| | 2 820 427 | 2 399 176 |
| Closing inventory | ( 103 181) | ( 110 227) |
| **Total cost of sales** | **2 717 246** | **2 288 949** |
| **13. ADMINISTRATION EXPENSES** | | |
| Accounting fees | 28 000 | 49 060 |
| Auditing fees | 163 218 | 65 165 |
| **Total administration expenses** | **191 218** | **114 225** |
| **14. SELLING AND DISTRIBUTION EXPENSES** | | |
| Commission on bookings | 286 051 | 27 621 |
| Conferences and visits | 4 286 | 42 890 |
| Marketing | 116 470 | 125 744 |
| Subscriptions | 18 349 | 21 769 |
| **Total selling and distribution expenses** | **425 156** | **218 024** |
| **15. EMPLOYEE RELATED COSTS** | | |
| Employee related costs - salaries and wages | 747 296 | 1 383 284 |
| Employee related costs - contributions to UIF, WCA, pensions and medical aids | 76 054 | 234 405 |
| Housing benefits and allowances | 53 682 | 75 376 |
| Overtime payments | 1 008 | 229 720 |
| Bonuses (annual and incentive) | 65 081 | 126 840 |
| Other | - | 339 |
| **Total employee related costs** | **943 121** | **2 049 964** |

There were no advances to employees.

**Remuneration of the Chief Executive Officer**

| | 2009 | 2008 |
|---|---|---|
| Annual remuneration | 222 271 | 360 448 |
| Bonuses and leave pay | 63 067 | 52 388 |
| Contributions to UIF, medical aid and Provident Fund | 36 814 | 46 360 |
| **Total** | 322 152 | 459 196 |

(Cont/...)

# FEATHER MARKET PROMOTIONS
## Trading as FEATHER MARKET CENTRE
## (ASSOCIATION INCORPORATED UNDER SECTION 21)
## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|---|---|---|
| **16. REPAIRS AND MAINTENANCE** | | |
| Building - internal | 163 520 | 104 309 |
| Equipment | 168 126 | 120 282 |
| Maintenance agreements | 9 750 | 9 895 |
| Organ maintenance | 16 390 | 13 224 |
| Vehicles | 4 517 | 16 125 |
| **Total repairs and maintenance** | **362 303** | **263 835** |
| **17. INTEREST PAID** | | |
| Interest paid | 3 | 30 101 |
| **Total interest paid** | **3** | **30 101** |
| **18. CONTRACTED SERVICES** | | |
| Cleaning | 121 673 | 156 472 |
| Security | 157 600 | 121 488 |
| Staff | 1 194 864 | - |
| **Total contracted services** | **1 474 137** | **277 960** |
| **19. GENERAL EXPENSES** | | |
| Cash Stolen | 6 862 | - |
| Cleaning materials | 6 141 | 18 963 |
| Computer consumables | 8 681 | 19 922 |
| Electricity and water | 285 557 | 287 495 |
| Equipment hire | 281 883 | 135 336 |
| Expendable equipment | 24 943 | 23 989 |
| Equipment consumables | 33 328 | 23 625 |
| Laundry | 35 587 | 43 076 |
| Licences | 839 | 839 |
| Locomotion casual | 9 733 | 10 921 |
| Motor vehicle | 22 611 | 25 635 |
| Other purchases | 65 790 | - |
| Parking rental | 4 826 | 21 582 |
| Postage, telephone and fax | 139 930 | 127 243 |
| Refuse | 14 045 | 43 487 |
| Sewerage | 6 956 | 18 268 |
| Staff meals | 25 563 | 14 863 |
| Stationery | 110 059 | 43 546 |
| Training and development of staff | 3 700 | 20 398 |
| Transport of staff | 49 625 | 48 975 |
| Travel and subsistence | 60 092 | 40 739 |
| Uniforms | 16 658 | 22 172 |
| Venue decoration | 108 436 | 99 598 |
| **Total general expenses** | **1 321 845** | **1 090 672** |

(Cont/...)

FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

## 20. TAXATION

### 20.1 Tax charge

| | 2009<br>R | 2008<br>R |
|---|---|---|
| South African normal tax | | |
| - Normal tax | - | - |
| | - | - |

### 20.2 Tax computation

| | 2009<br>R | 2008<br>R |
|---|---|---|
| Deficit before taxation | ( 979 733) | ( 897 069) |
| **Add:** | | |
| Depreciation - leasehold property | 624 822 | 748 705 |
| Provision Doubtful debt - current year | 1 729 | - |
| Provision Doubtful debt - prior year | 500 | 629 |
| Provision for bonuses - current year | 44 476 | 45 704 |
| Provision for leave pay - current year | 65 094 | - |
| Revenue received in advance - current year | 265 467 | 117 671 |
| SARS interest paid | - | 29 602 |
| **Less:** | | |
| Doubtful debt allowance - current year | - | ( 500) |
| Doubtful debt provision - current year | ( 432) | - |
| Doubtful debts - prior year | ( 2 000) | - |
| Operating grants received | (1 042 302) | (1 099 130) |
| Revenue received in advance - prior year | ( 117 671) | ( 30 742) |
| Wear & tear | ( 315) | - |
| Estimated tax loss for the year | (1 140 365) | (1 085 130) |
| Assessed loss brought forward | (7 212 870) | (6 127 740) |
| Estimated assessed loss at year end | **(8 353 235)** | **(7 212 870)** |

### 20.3 Tax charge reconciliation

| | 2009 | 2008 |
|---|---|---|
| Standard tax rate | 28.00% | 29.00% |
| Depreciation - leasehold property | -17.86% | -24.20% |
| Provision Doubtful debt - current year | -0.05% | 0.00% |
| Provision Doubtful debt - prior year | -0.01% | -0.02% |
| Provision for bonuses - current year | -1.27% | -1.48% |
| Provision for leave pay - current year | -1.86% | - |
| Revenue received in advance - current year | -7.59% | -3.80% |
| SARS interest paid | 0.00% | -0.96% |
| Doubtful debt allowance - current year | 0.00% | 0.02% |
| Doubtful debt provision - current year | 0.01% | 0.00% |
| Doubtful debts - prior year | 0.06% | 0.00% |
| Operating grants received | 29.79% | 35.53% |
| Revenue received in advance - prior year | 3.36% | 0.99% |
| Wear & tear | 0.01% | 0.00% |
| Assessed loss | -32.59% | -35.08% |
| Effective tax rate | 0.00% | 0.00% |

(Cont/...)

FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009<br>R | 2008<br>R |
|---|---|---|

## 20. TAXATION (CONTINUED)

### 20.4 Estimated tax losses

| | 2009 R | 2008 R |
|---|---|---|
| At beginning of year | (7 212 870) | (6 127 740) |
| Incurred | (1 140 365) | (1 085 130) |
| At the end of the year | (8 353 235) | (7 212 870) |
| Available for set off against future taxable income | (8 353 235) | (7 212 870) |

## 21. CASH UTILISED BY OPERATIONS

| | 2009 R | 2008 R |
|---|---|---|
| Deficit for the year | ( 979 733) | ( 897 069) |
| Adjustment for:- | | |
| Depreciation | 699 642 | 847 145 |
| Interest received | ( 80 750) | ( 129 825) |
| Interest paid | 3 | 30 101 |
| Profit on disposal of fixed asset | ( 107 858) | - |
| **Operating deficit before working capital changes:** | **( 468 696)** | **( 149 648)** |
| Decrease / (Increase) in inventory | 7 046 | ( 1 731) |
| (Increase)/decrease in debtors | ( 613 079) | ( 108 477) |
| (Increase)/decrease in other debtors | - | 300 |
| Increase/(decrease) in creditors | ( 29 204) | 378 485 |
| **Cash utilised by operations** | **(1 103 933)** | **118 929** |

## 22. EVENTS AFTER THE REPORTING DATE

On 4 August 2009, the NMBM approved a veriment in favour of Feather Market Promotions for an amount of R 1 189 000 in the form of grant funding relating to the 30 June 2009 financial year.

## 23. RETIREMENT BENEFIT INFORMATION

The company contributes to the Old Mutual Orion Provident Fund, a defined contribution plan. This fund has been registered and governed under the Pension Fund Act, 1956 as amended. There are 8 staff members (2008: 8) covered by the Provident Fund.

The policy of the company is to provide retirement benefits for all its employees.

The contributions of R38 830 (2008 : R 96 453) were expensed in the current year.

(Cont/...)

FEATHER MARKET PROMOTIONS
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

## 24. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

### 24.1 Audit fees

| | 2009<br>R | 2008<br>R |
|---|---|---|
| Opening balance | 65 000 | - |
| Current year audit fee | 163 218 | 65 165 |
| Amount paid - current year | ( 103 178) | ( 165) |
| **Balance unpaid (included in Trade and Other Payables)** | **125 040** | **65 000** |

### 24.2 VAT

VAT inputs receivables and VAT outputs payables are shown in note 2. All VAT returns have been submitted by the due date throughout the year.

### 24.3 PAYE and UIF

| | 2009<br>R | 2008<br>R |
|---|---|---|
| Opening balance | 1 208 | - |
| Current year payroll deductions | 117 716 | 122 360 |
| Amount paid - current year | ( 118 924) | ( 121 152) |
| Amount paid - previous years | - | - |
| **Balance unpaid (included in Trade and Other Payables )** | **-** | **1 208** |

### 24.4 Pension and Medical Aid Deductions

| | 2009<br>R | 2008<br>R |
|---|---|---|
| Opening balance | 11 115 | - |
| Current year payroll deductions and Council Contributions | 74 132 | 218 813 |
| Amount paid - current year | ( 85 247) | ( 207 698) |
| Amount paid - previous years | - | - |
| **Balance unpaid (included in Trade and Other Payables)** | **-** | **11 115** |

### 24.5 Unauthorised expenditure

The company's actual expenditure exceeded the budgeted expenditure for the year. Refer to Appendix D1 for details.

### 24.6 Irregular expenditure

Petty cash amounting to R6 862 was stolen from the company's premises. At the time of reporting, no disciplinary action has been taken as the company has been unable to find the offender. The police report is available on request.

(Cont/...)

**FEATHER MARKET PROMOTIONS**
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

## 24. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

### 24.7 Fruitless and wasteful expenditure

No such expenditure was incurred in the current year. In the prior year, the company paid interest to SARS on late payment of VAT amounting to R29 602.

### 24.8 Capital commitments

No capital expenditure has been authorised nor contracted for.

### 24.9 Contingent liabilities and assets

We are not aware of any pending or threatened litigations, proceedings, hearings or claims or negotiations which may result in significant loss or possible recovery to the entity.

### 24.10 In-kind donations and assistance

No in-kind donations or assistance was received in the current year.

### 24.11 Non- Compliance with the Municipal Finance Management Act

The non-compliance disclosed below relate to the section 21 company, Feather Market Promotions. With effect from 1 May 2009 all operations relating to Feather Market Promotions have been absorbed by the parent Municipality, NMBM.

The following instances of non-compliance in terms section 95(c)(i) were noted:
- No risk assessment has been performed for the period under review.
- There is no fraud prevention plan in place to prevent and detect fraud.

- There is no compensating control to deal with segregation of duties due to staff shortages.
- No plans to recover information in disaster situations, e.g. back-up facilities, recovery plan for business continuity. Information is kept in the system and copies of invoices and other documents are filed and stored. Lack of space also presents a challenge with regards to storing records.

The following instances of non-compliance in terms section 96 were noted:

- A proper and complete asset register is not kept as assets do not have asset numbers assigned and no location details are documented. The assets of the entity are also not marked.
- Reconciliation between physical assets and the register is not performed.
- No policy exists for the maintenance and disposal of assets.

The following instances of non-compliance in terms section 99 were noted:

- The entity does not maintain an effective system of expenditure control including procedures for the approval, authorisation, withdrawal and payment of funds.

The municipal entity does not comply with section 111 of MFMA as there is currently no supply chain management policy in place.

The company does not have an internal audit unit and audit committee as required by S165 and S166 of the MFMA.

## 25. KEY MANAGEMENT PERSONNEL

The following is a person having authority and responsibility for planning, directing and controlling the activities of the entity.

Chief Executive Officer: Keith Murcott

His employee benefits are disclosed in note 15.

(Cont/...)

**FEATHER MARKET PROMOTIONS**
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**(ASSOCIATION INCORPORATED UNDER SECTION 21)**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial liability is trade and other payables. The main purpose of this financial liability is to raise finance for the company's operations. The company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the company's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

### Interest rate management

The interest rate risk is limited due to the fact that the company is actually financed by the Nelson Mandela Bay Municipality by means of grants to cover operating deficits.

The company has an overdraft facility with Standard Bank of South Africa Limited. The interest rate on the overdraft facility is at the prime lending rate. The limit on the short term banking facilities is R 100 000. The Nelson Mandela Bay Municipality has provided security in respect of the overdraft facilities.

Deposits attract interest at a rate that varies according the the prime banking rate. The company manages this interest rate risk by ensuring that all surplus funds are invested in fixed rate instruments and by maintaining the minimum possible balance in the current account.

Should the interest rate change by 1 % the effect would be R 9 047 (2008: R8 971) of the deficit for the year.

### Credit risk management

The company trades only with recognised, creditworthy third parties. It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note No.6 to the financial statements . There are no significant concentrations of credit risk in the company.

With respect to credit risk arising from the other financial assets of the company, which comprise cash and cash equivalents, the company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

### Liquidity risk

The company monitors its risk to a shortage of funds by considering the maturity of financial assets and projected cash flows from operations. The company's objective is to mantain a balance between continuity of funding and flexibility through use of bank overdrafts and funding received from its parent municipality.

### Fair value

The carrying amounts of the following financial assets and liabilities approximate their fair value: cash, trade receivables and payables and other receivables and payables.

(Cont/...)

# FEATHER MARKET PROMOTIONS
## Trading as FEATHER MARKET CENTRE
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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 27. RELATED PARTIES

The entity's only related party is its parent municipality the Nelson Mandela Bay Municipality.

**Types of related party transactions**

Grants are received from the Nelson Mandela Bay Municipality to cover operating deficits of the entity.

The payroll adminitration is performed by the Nelson Mandela Bay Municipality, the entity reimburses its parent for all payroll costs paid on their behalf.

**Material related party transactions and balances**

| | 2009 | 2008 |
|---|---|---|
| **Transactions** | R | R |
| Grant received | 1 042 302 | 1 099 130 |
| Payroll costs | 1 672 771 | 1 680 298 |

**Balances**

Refer to Note 1 for details of related party balances payable at year end.
Refer to Note 6 for details of related party balances receivable at year end.

**Security**

The Nelson Mandela Bay Municipality has provided security in respect of the overdraft facilities.

### 28. COMMITMENTS UNDER OPERATING LEASES

The company has entered into commercial leases on items of office equipment where it is not in the best interest of the company to purchase these assets. These leases have an average life of between 2 and 5 years with renewal options.

Future minimum lease payments under non-cancellable operating leases are as follows:

| | 2009 | 2008 |
|---|---|---|
| | R | R |
| Within the next year | - | 22 422 |
| Two to five years | - | 89 688 |

The current year expense relating to operating leases is included in note 19. The Nelson Mandela Bay Municipality has taken over all operating leases as from 01 May 2009, thus no current year disclosures were provided. These leases have no scalation for the entire period of the contract.

### 29. GOING CONCERN

Due to the decision taken by the Nelson Mandela Bay Municipality to rationalise entities of the Municipality, the Feather Market Centre was absorbed into the Corporate Services Directorate as from the 01 May 2009. All assets and liabilities will be transferred to the Nelson Mandela Bay Municipality with effect from 01 May 2009. These assets and liabilities will be transferred at fair value.